



**Kosovo**  
Provisional Institutions  
for Self Government

# **Kosovo and Regional Cooperation: Stability Pact and Beyond**

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# New World Order

- Today, conflicts rarely stay within national boundaries,
- Today, a tremor in one financial market is repeated in the markets of the world,
- Today, confidence is global, it's presence or it's absence,
- Today, the threat is chaos. Because for people with work to do and family life to balance and mortgages to pay and careers to further and pensions to provide, the yearning is for order and stability. And if it doesn't exist elsewhere, it is unlikely to exist here,
- I have long believe that this interdependence defines the new world we live in.
  - Tony Blair, October 2, 2001

# Investment Climate

- The first pillar of a strategy for development is the creation of a good investment climate – one that encourages firms, both large and small, to increase productivity. The private sector is not only the engine of aggregate growth, it is also the main provider of economic activity and opportunity for poor people. (Nicholas Stern, WB).
- **In the context of a sound macroeconomic framework, a good investment climate:**
  - Provides a sound legal and regulatory framework for enterprises that promotes competition.
  - Strengthens governance and overcome bureaucratic inefficiencies.
  - Improves access to key financial and infrastructure services.

# Toward market economy

- **Ultimate Goals**
  - Market economy legislation
  - Medium term economic development strategy
  - Macroeconomic & Fiscal stability
  - Integration into Regional and European market
- **Main Objectives**
  - Privatization process
  - Increase of production capacities
  - Introduction of new business concepts
  - Friendly business environment
- **Standards for Kosovo**
  - Need for focus on fifth standard: Economy

# Kosovo Economy

■ Population, mil.	~ 2.2
■ Area, km <sup>2</sup>	~ 10.887
■ GDP (2003), billion Euro	~ 1.8
■ GDP per capita, Euro	~ 900
■ GDP growth rate, %	~ 4,5
■ Inflation rate, %	~ 5
■ Unemployment, %	~ 50

# Kosovo Economic Growth

- Dynamic stage from rehabilitation to development, characterized with the need for:
  - Capital investment
  - Growth of production capacities
  - Import substitution
  - Attracting Diaspora in capital form and human potential
  - Bank support to Business

# Challenges for the Regional Cooperation

- Stable macro-economic framework
  - Clear development strategy
- Creation of an effective financial sector
  - Support for SME development
- Implementation of Institutional and legal reforms,
  - Accomplishment of legal framework
  - Review of Fiscal policy
- Rehabilitation of key infrastructure
  - Higher level of transport connections

# Kosovo favorable factors

- Strategic position in the Western Balkan
- Human and natural resources
- Diaspora in US, EU, and Turkey.
- International community presence
- Stable currency and low inflation
- Ongoing legal compatibility with EU legislation, etc.



# Need for:

- Sound macroeconomic developments
- Structural reforms
  - Enterprise reform
  - Financial sector reform
  - Trade liberalization
- International Relations
  - SAP- STM
  - EC assistance
  - Stability Pact for SEE
  - Relations with IFI-s (Legal base for long term borrowing)

# Where Kosovo Stands?

- **Stability Pact for SEE.**
  - FTA, SECI, BAC, Compact Investments, REBIS Projects, SECI Center for Fighting Organized Crime, MARRI projects,
  - MOU on Regional Energy and Gas Market - Harmonization of Kosovo Priorities with Albania for optimization of the power network), Infrastructure working group, etc.
- **European Commission and SP process.**
  - SAAP - STM, in preparations of other offices within OPM:
  - ESPIG: DIFID project, Economic strategy, identification of the bankable projects, approach to IFI-s,
- **FTA- Kosovo Negotiation Group (Trade Working Group)**
  - In discussions with B and H, Croatia and Turkey.
  - Kosovo Government, UNMIK, KCC, Business community, Customs

# Way ahead!

- Political and economical environment
  - Insurance against political risk - OPIC
- Good investment climate
- Fair competition, reduction of fiscal evasion
- Partnership with SEE
- Privatization process
  - Fond for SME development
- Legal framework
- Use of Diaspora potentials
- Agency for promotion of Investments

# Thank You!

You can contact me:

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